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City of Milpitas Moves Forward With Plan to Upgrade Water System Infrastructure

Proposed Rate Changes Would Address Future Needs, Still Keep Rates Competitive, Lower Than Nearby Cities

Despite a sharp increase in the cost of purchasing water from regional suppliers and dealing with the impacts of the ongoing drought, the City of Milpitas is moving ahead with a vital long-term plan to upgrade aging infrastructure and stabilize the City's water supply systems.

"It's vital the City maintain a structurally sound water supply system that minimizes leakage while providing safe, reliable drinking water to residents," said Milpitas Director of Engineering Steven Machida. "The City has pledged to provide high quality water at the lowest possible rates, and we intend to honor that pledge."

In 2015, the City hired an independent consultant to determine the fairest and most equitable way to structure water rates in order to meet system demands. The resulting plan calls for moving from a tiered rate to a uniform rate system with two components – a fixed monthly charge determined on the basis of the size of a customer's water meter, calculated to recover the fixed costs of delivering water services; and a volume charge based on customer usage.

On top of the need to upgrade its delivery system, the City has recently faced sharp cost-of-service increases from its water wholesalers – the San Francisco Public Utilities Commission wholesale water rate increased 28 percent and the Santa Clara Valley Water District wholesale rate increased 20 percent, with the possibility of additional increases in the near future.

These wholesale increases to Milpitas come on top of a loss of revenue from a 26.1 percent average monthly reduction in water use by City residents' conservation efforts since June 2015.

Even with the increase, the City has proposed a two-year rate increase that would still leave Milpitas water rates competitive with the surrounding region. Starting in April 2016, the average single family residence charge in Milpitas would increase to approximately \$64.38 a month under a

proposed rate structure now before City Council, an increase of \$25.42 over current rates. Even after the increases are imposed, Milpitas will compare favorably to the soon-to-be \$80 monthly average charge in San Jose, Saratoga, Campbell and Los Gatos.

The increase in funds would be used in part to support the City's capital improvement program and recover the costs of current operations. An additional \$22 million in capital projects to deal with the City's aging infrastructure and seismic upgrades would be included as part of the proposed rate changes, bringing the total capital improvement plan to up to \$42 million.

"The recent drought has raised awareness about how fragile California's water systems can be," Milpitas City Manager Tom Williams said. "Our engineers have put a program in place that we believe will preserve our water supplies while meeting the future needs of our residences and businesses."